



Building Owners and Managers Association of California

Greater Los Angeles • Inland Empire • Oakland/East Bay • Orange County • Sacramento • San Diego • San Francisco • Silicon Valley

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January 29, 2008

California Energy Commission
c/o Deborah Godfrey
California Energy Commission
1516 9th Street, MS-42
Sacramento, California 95814

Re: BOMA California Comments on the **AB 2160 Green Building Report**

California Energy Commission:

In response to the invitation for comments contained in the CEC Notice of Business Meeting to Consider Adoption of AB 2160 Green Building Report, the Building Owners and Managers Association of California (BOMA California) is pleased to offer the following comments.

BOMA California is a federation of 8 local metropolitan associations whose members collectively own and/or manage over 600 million square feet of rentable office space in California. BOMA California members purchase energy and manage energy costs on behalf of their tenants and have substantial interest in the State's evolving energy policy. The investment decisions and operating practices of BOMA California members will be a keystone to the successful implementation of the State's Green Building Programs just as they have been in prior energy efficiency and load management programs.

BOMA California members have long recognized that energy efficiency and load management reduces operating costs, helps attract and retain tenants and enhances building asset values, and in the process, also fosters a healthy environment. Accordingly, BOMA California members have strongly embraced many of the State's efforts to reduce energy consumption. BOMA California actively encourages its members to retrofit and upgrade building energy systems and adopt energy efficient operating practices through BOMA's Energy Efficiency Program (BEEP), newsletters, conferences and other member communications. BOMA California members have invested hundreds of millions of dollars in building and equipment upgrades, energy control systems, and employee training, and as a result, many buildings have succeeded in achieving consumption reductions in excess of 20% over the past 5 years. BOMA California looks forward to continuing this effort in working with the CEC and CPUC in the development and implementation of the State's Green Building programs.

Additionally, as a member of BOMA International, BOMA California is pleased to let you know that the organization has signed MOU's with Clinton Climate Initiative, Green Building Initiative ("Green Globes"), U.S. Green Building Council ("LEED"), and has issued a "7-Point Challenge" to its members to encourage improving efficiencies, cutting utility expenses, and reducing carbon footprints. The program formally called the Market Transformation Energy Plan and 7-Point Challenge, urges industry members to reduce their use of natural resources, non-renewable energy sources and waste production and work in coordination with building management, ownership and tenants, and challenges members to improve energy efficiency across their portfolios by 30 percent by 2012.

BOMA California would like to offer some additional perspective on a few issues that may better focus the development of programs and incentives for private sector commercial office buildings. The report correctly identifies the first obstacle to further gains in energy efficiency (and load management) as the lack of a compelling business case for increasing investment in energy efficiency. Without a compelling business case, the private investment necessary to achieve the objectives of the state's green building goals will simply not be made.

The business case for investment in energy efficiency enhancements is a function of the relative efficiency (reduced demand) of the technology imbedded in new physical investments, the value of expected demand reductions (electric rates), and financing costs (interest charges less financial incentives). For the state's green initiatives to succeed, the technological, rates and financial elements must all come together to make an affirmative business case for implementation.

Given technological options, the valuation of demand reductions requires estimates of future electric rates which are at this time very difficult for building owners to develop since future rate structures have not been set by the CPUC. The CPUC is currently deliberating a range of future rate structures (including time of use, critical peak pricing, and real time pricing) and each of the optional structures implies different price incentives for project valuation. Until the CPUC provides some firm long term perspective on rate structures, building owners/investors will face an unnecessarily wide band of uncertainty in the valuation of efficiency projects. At least in the short run, this rate uncertainty represents another obstacle to the expanded investment in efficiency projects for commercial buildings.

For many existing BOMA California member buildings, the range of additional efficiency options is now relatively narrow because of prior investments and gains in efficiency. In effect, the level of efficiency already achieved by many buildings is essentially an obstacle to the development of a business case for incremental efficiency gains. The projects with the easiest business case, (the "low hanging fruit" such as lighting retrofits, efficient chillers, lighting sensors and controls, variable speed motors, solar film, etc.) have already been implemented, at least for most of the large class A buildings. The business case for efficiency projects with relatively marginal savings potential are harder to make and will require more aggressive incentives. This obstacle to additional efficiency gains in existing buildings was not recognized in the Report and should be factored into the CEC's calculations for setting incremental goals and incentives needed for achieving those goals.

The report lists difficulties in financing efficiency measures as its second obstacle to the implementation of efficiency projects. For many buildings, the financing element may be the weakest link for implementing investments in efficiency projects. Even in cases where the potential value of efficiency projects is large, the structure of building ownership may create additional obstacles to the financing of the projects. Many of these obstacles could be readily overcome with a simple financing program such as the old ZIP (zero interest program) scheme that was successful in the 80's. Financing incentives may provide the fastest route for obtaining a deep penetration of efficiency programs in commercial buildings.

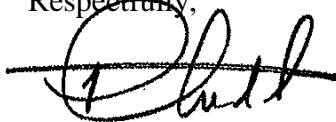
Another key obstacle to further gains in energy efficiency (and load management) in commercial office buildings is the lack of submetering and billing of tenants in accordance with their individual measured energy usage. The report identifies submetering as an obstacle to efficiency gains in the context of better owner information but did not develop the tenant incentives aspect of the submetering issues. Currently, a substantial portion of building load is directly under the control of building tenants who are shielded from

knowledge of their individual electricity usage and its cost. For tenants to take part in pursuing green building objectives, they must receive the same price signals, consumption information, and incentives as building operators. In effect, broad implementation of submetering and usage based billing of tenants will be required to obtain the full potential of efficiency in tenant occupied commercial buildings. Therefore, BOMA California urges the CEC to consider the development of financial incentives for rapid and broad implementation of tenant submetering and billing (in accordance with the CPUC's new Rule 18) as a part of the State's Green Building programs.

Our final comment relates to the use of carbon credits as part of the Green Building incentive structure. As the trading of carbon credits evolves, BOMA California proposes that building owners should be entitled to emissions credits gained from reducing energy consumption in their buildings.

BOMA California appreciates the opportunity to offer these comments on the AB 2160 Green Building Report. We look forward to working with the CEC in developing the details of its Green Building programs.

Respectfully,

A handwritten signature in black ink, appearing to read "Rob Cord", written over a horizontal line.

Rob Cord
President

cc: BOMA California Board Members
Tod McKelvy, Chair, BOMA California Energy Committee
Matthew Hargrove, BOMA California Administration